



IOWA MEDICAL SOCIETY

Working for Iowa physicians and their patients

Medicare in Iowa: High Quality Low Payment

Statement of the Iowa Medical Society to the Practicing Physicians Advisory Council September 20, 2002

The Iowa Medical Society, representing our 4,000 physician members, thanks the Practicing Physicians Advisory Council for the opportunity to provide testimony on the issue of Medicare's geographic practice cost indices used for Medicare payment. Medicare's application of these geographic payment adjustors to the physician reimbursement formula has created a disparity in payments to Iowa and many other states and it is having a detrimental impact on our citizens, physicians, and our health care infrastructure. Fixing Medicare's payment disparity to Iowa is the number one priority of the Iowa Medical Society and our physician members.

8th Highest in Quality of Care

In 2000, the Health Care Financing Administration (HCFA) released a study ranking states on Medicare quality for six clinical areas including heart attacks, breast cancer, diabetes, heart failure, pneumonia and stroke. Measured according to quality indicators for each condition, Iowa's care of Medicare patients ranked 8th highest in quality among 52 states and territories. Yet of Medicare's 89 geographic payment localities, Iowa is the 80th lowest reimbursed locality. Iowa's poor reimbursement is due to the geographic adjustments made to the three Geographic Practice Cost Indices (GPCIs) – *physician work; practice expense and medical liability expense* under the Medicare Part B Resource Based Relative Value System (RBRVS). This unfair formula is at the root of Iowa's poor reimbursement.

Can you imagine if the geographic adjustments used to reimburse physicians were applied to Social Security benefit payments in such a way that, if you lived in Iowa, your benefits were reduced? What if United States Congressmen and women from California and New York were paid higher than Congressmen and women from Iowa and Kansas?

Both of those ideas are ludicrous, and if they were even *proposed*, they would be laughed out of the Capitol. But that is exactly how we reimburse for Medicare services in our country, and Iowa patients and the state's health care infrastructure are suffering as a result even though Iowans pay the same Medicare taxes.

The Impact of Medicare's Geographic Practice Cost Index on Iowa

The Federal government's own data indicates that Iowa physicians provide high quality care and that our patients use health care more efficiently than recipients in other states. Iowa's reward for providing high quality care efficiently and appropriately is to receive much less for the same services as provided in other states.

The fact that Iowa physicians receive less reimbursement for the same procedure than their colleagues in other parts of the country is having a serious impact on our citizens. The payment to Iowa physicians on ten common procedure codes currently shows Iowa ranks 80th for each procedure out of the 89 geographic payment localities across the nation.

Over the past two years, Katie Couric from the *Today Show*, has made a point of having a screening colonoscopy each year on national television. She lost her husband to colon cancer and wanted to stress the importance of screening colonoscopy, which might have saved her husband's life.

Today, in Des Moines, Iowa, in a very well-run, sophisticated practice, if you were to call to schedule a screening colonoscopy, it takes six months to get an appointment. In that same practice, if your primary care physician refers you to a gastroenterologist specialist (GI), it takes two weeks to get in, even if you are symptomatic and require a gastroenterologist consult.

Why is that the case? Is it because the GI specialists are lazy and want to get home by 5:30 every night? Not at all, they are currently working hours that few other professionals would endure because their commitment to this community is so great. But they have been trying to recruit a partner for several years, and they are competing with practices in states with much more generous Medicare reimbursement than Iowa. GI is a specialty that relies a great deal on Medicare and, therefore, the recruit has to choose between Iowa, where they will work considerably more hours for significantly less pay, and another location, for more pay, and a schedule that allows them to enjoy more time with their families. Consider that physicians coming out of residency today have between \$85,000 and \$115,000 in education debt, and you know what choice you would make if it were your decision.

For the first time in our state's history, a system in Northern Iowa laid off ten physicians. That means that patients who used to go to Dr. Jones can no longer see him, because he is out of a job. He is out of a job because the health system that formerly employed him can no longer afford him, due in large part to the Medicare crisis of underpayment. His patients will have to find another physician. If those patients were in the room today, they could explain in stark terms how this crisis affects quality of care.

Iowa physicians are also competing with surrounding markets for health care professionals including Chicago, Kansas City, and Minneapolis. But how can we

compete when we are reimbursed less and when buses are being sent into Iowa to take nurses across the border where they can earn more?

We stress that this issue is not just about the bottom line suffering for physicians and hospitals. Iowa patients are also truly being shortchanged under the current system.

Medicare HMO's

Medicare's geographic payment disparities have also kept Iowa recipients from receiving benefits that recipients in other states with higher Medicare reimbursement receive. As reported in a July 7, 2002 *Washington Post Article*, "At a time when the government has been encouraging Medicare patients to find drug benefits by signing up for managed care, Iowa does not have a single Medicare HMO." In some areas of the country, reimbursement rates are high enough that Medicare HMOs can offer plans without a premium. Consequently, in those localities, a majority of Medicare patients are in managed care plans. Those Medicare recipients are, in some cases, receiving prescription drug coverage, vision and hearing services and a plethora of other benefits, sometimes for no annual premium and no co-payment. Iowa's low reimbursement has created an environment that penalizes Iowans by offering no Medicare HMO plan.

Iowa's Medicare Population

The impact of Medicare's poor reimbursement to Iowa is additionally magnified by the state's increasing proportion of people who are aged 65. Iowa's high percentage of Medicare eligibles translates into the reality that as Iowa physicians are being reimbursed less, they are also treating more Medicare patients. Iowa's practice environment is also more difficult because Iowa physicians are faced with treating Iowa's 80+ population which is its fastest growing age group. As you can imagine, the health care needs of the 80+ age group are more demanding and costly.

As a whole, Iowa's proportion of older adults in our population exceeds that of the United States as a whole. In fact, Iowa ranks second in the nation of percentage of persons aged 85 and older - 2.2%; fourth in the nation of percentage of persons aged 75 and older - 7.7%; fifth in the nation of percentage of persons aged 65 years old and older - 14.9%; and fourth in the nation of percentage of persons aged 60 years and older - 19.2%. As our population ages, these percentages will only increase. Iowa's current Medicare population is approximately 475,000 eligibles.

Iowa's Poor Medicare Reimbursement: Driving the Market

Our high percentage of Medicare enrollees is not the only reason Iowa physicians are beholden to our poor Medicare reimbursement rates. In Iowa, Medicare's reimbursement rate is driving all aspects of physician reimbursement. Iowa Medicaid reimbursement is tied to Medicare through Iowa law and private insurance payors are using Medicare to set their rates as well.

The Flawed Formula: Geographic Practice Costs Indexes

The Medicare Part B formula is fundamentally flawed, due to its use of geographic cost adjusters. The formula used to reimburse physicians is based on assumptions that it is cheaper to provide care in certain parts of the country than it is in others. However, the costs measured by GPCIs do not accurately represent all of the costs associated with practicing medicine. While the formula may be able to fairly measure the cost of rent, it cannot appropriately or accurately measure the cost of providing services.

Iowa physicians face additional costs of having to travel to satellite clinics sometimes as far away as 60 miles to treat patients. To perform the latest treatments, Iowa physicians must purchase the same equipment as their colleagues in New York and San Francisco, often at the same price. However, for the same surgical procedure the equipment is utilized for, they are reimbursed less. An ophthalmologist removing a cataract in Iowa is reimbursed 34% less than physicians in San Francisco for the same exact procedure.

Additionally, the GPCIs are only updated every three years, causing them to lag behind the costs being incurred in today's market. The professional liability insurance cost GPCI is a prime example. While this GPCI is measured accurately, the fluctuating market can endure sudden increases, making the three-year lag time unacceptable in setting reimbursement rates today.

Geographic Payment Coalition

Iowa providers are not alone in our outcry about the inequitable Medicare payment system. That is why this past June at the American Medical Association Annual Meeting, Iowa played a leading role in launching the Geographic Equity in Medicare (GEM) Coalition.

GEM is a coalition of medical organizations that agree that current physician reimbursement should be equitable across the country. The substantial degree of this geographic disparity in patient services and physician reimbursement levels in the Medicare Part B program is unjustified and inherently unfair – and is having an increasingly negative impact on patient care and access in many parts of the United States.

GEM's member organizations believe that federal policy makers must assign a high priority to eliminating Geographic Practice Costs Indices (GPCIs) and other components of the Medicare Part B program that result in inappropriate and inequitable reimbursement to tens of thousands of physicians across this country providing medical care to millions of Medicare beneficiaries.

The Solution

The Iowa Medical Society and GEM propose that GPCIs should be eliminated from the Medicare reimbursement formula and, as a result, the nation be put on a single national fee schedule for Medicare reimbursement of physician services.

While the goal of the Iowa Medical Society is to implement a national Medicare physician fee schedule, we are aware of the political impediments inherent to such a proposal. Given that incremental steps in public policy are most likely to be successful, we ask that you recommend to Congress legislative language that sets an absolute floor on all three GPCIs at 1.0.

Placing all physicians in the nation on the same fee schedule will not completely solve the Medicare problem. The government also needs to fully fund their obligation by raising Medicare reimbursement up to a level that at least fully covers the cost of treating our country's elderly population.

Iowa's physicians are deeply committed to doing the best job they can and remain committed to our Iowa Medicare patients. Your recommendation to Congress that the Medicare payment methodology is broken and must be fixed will help Iowa physicians keep that commitment.